

FACT SHEET

MEDIUM-TERM PROGRAMS

The intent of all of Ex-Im Bank's programs is to make U. S. exporters competitive with exporters from other countries - to give them a level playing field - and to take the risk on those transactions that are beyond the risk appetite of lenders.

For sales of capital goods and related services where the financed amount does not exceed \$10 million and the repayment term is seven years or less, Ex-Im Bank offers exporters and buyers four choices- four ways to finance an export sale.

As a preliminary indication of Ex-Im Bank's support, an exporter can obtain an Ex-Im Bank Letter of Interest which outlines the financing, repayment terms and exposure fee for a given transaction. The cost is \$100 and the turnaround time is 7 working days or less.

In these programs, the maximum Ex-Im Bank is allowed to cover is 85 percent of the U. S. contract price. The remaining 15 percent cash payment can be either borrowed from a lender or come from the buyer's own funds. Thus, for a \$1 million sale, Ex-Im Bank's financing will be \$850,000.

The most popular of the programs is the **Medium-Term Insurance Policy** which covers one or a series of shipments to one buyer that has been found creditworthy. Ex-Im Bank insures that if the foreign buyer does not pay, it will pay the outstanding principal and interest to the insured. Frequently a bank is the insured and will disburse to the exporter once insurance cover is approved. The bank then has made a loan to the foreign buyer. The documentation on the loan, such as the invoice, bill of lading and exporter's certificate are not submitted to Ex-Im Bank and the lender takes responsibility for their completeness. Often insurance brokers are used to provide the required application information to Ex-Im Bank and assist the bank with the documentation. Applications may come from an exporter, bank or insurance broker.

Under the **Medium-Term Guarantee Program**, the lender's loan to the foreign buyer is guaranteed by Ex-Im Bank. Because Ex-Im Bank approves the documentation before the guarantee is effective, the lender is assured that a claim will be paid if presented within the time allowed. The interest rate charged is negotiated between the lender and the buyer. Ex-Im Bank's guarantee includes accrued interest. Usually the approach to Ex-Im Bank is made by the lender or the foreign buyer.

In certain countries, primarily Argentina, Brazil and Mexico, U. S. banks have extended lines of credit to foreign banks. Ex-Im Bank guarantees the payment of amounts due under such lines. With the **Credit Guarantee Facility Program**, the foreign banks take the risk of end users within their own country, enabling smaller companies to have access to dollar financing. The beauty of the program is the speed at which credit can be extended. Because Ex-Im Bank does not review the

underlying credit, the transaction can be completed as soon as the foreign bank approves the credit to the end user.

In very rare situations, usually at the insistence of the foreign buyer, Ex-Im Bank will use its **Direct Loan Program** to make a loan from its own resources to the foreign buyer. All such loans have a fixed interest rate which is based on U. S. Treasury securities and is the lowest allowed under international agreement. This is not a frequently used medium-term program because of certain shipping requirements, the added time needed to formulate the legal documentation and the lack of bank financing for the cash payment.

Ex-Im Bank charges a commitment fee of 0.5 percent for the loan and 0.125 percent for the guarantee program. The other charge is the exposure fee which is based on the country and type of foreign buyer, its creditworthiness, the length of the repayment term, and other factors. Guarantees and loans have the same exposure fee for a given buyer, insurance may sometimes be cheaper. Indicative exposure fees may be obtained from Ex-Im Bank's Web site calculator.

Under Ex-Im Bank's standard repayment terms, exporters of capital goods can obtain 2 year repayment terms for their buyers with a U.S. contract value up to \$80,000. Once the level reaches \$350,000, 5 year repayment terms can be offered.

For exporters that are facing competition from other exporters backed by foreign-aid type financing from their governments, Ex-Im Bank may match their financing. This has been most actively used in Southeast Asia. Exporters of environmental goods and services are eligible for additional benefits in the financing to the foreign buyer.

Ex-Im Bank encourages exporters to work with experienced lenders and brokers. Often, the program selected will be based on the lender's or buyer's preferences. Ex-Im Bank is also available to assist in the selection of the best program for the situation.